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UNCLAS SECTION 01 OF 02 STOCKHOLM 000207

SITUATION ROOM PLEASE PASS TO Carol Browner
Department Pass to the DOE for Acting Assistant Sec. Shrier OES for
S/E Stern

SIPDIS

E.O. 12958: N/A

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SUBJECT: Sweden's Deputy PM Comes to Washington with climate change
on the mind

Ref: STOCKHOLM 88

1. Summary. Sweden's Deputy Prime Minister Maud Olofsson is the pragmatic political leader of the Center Party that holds the Cabinet positions for energy, environment, industry and agriculture. She has a strong relationship with PM Reinfeldt and has worked closely with him recently to reverse a long-standing national policy banning new nuclear reactors. On climate change, she will start by pushing for very high 2020 targets, but her pragmatic approach and desire to work closely with us indicates a lot of room for accommodation and compromise. Given Sweden's ambition to lead the EU to a binding international agreement at COP-15, we recommend engaging with Sweden intensively now, before they become the EU President.
End Summary.

Background - Reinventing a Left of Center
Party

3. Maud Olofsson, 58, came up through the ranks of Sweden's Center Party, called previously the Farmers Party in both Sweden and Norway. These Center Parties were the original pro-environment and anti-nuclear parties of Scandinavia in the 1970's through 1990's, retaining a largely rural, small-town constituency and usually placing third in national elections in Sweden (behind the Social Democrats and Moderates). Becoming party leader in 2001, Olofsson has re-oriented the party to attract more young, urban voters, especially young women voters, many of whom rewarded Olofsson for joining with Moderate leader Fredrik Reinfeldt to form an alternative to the Social Democrats. She and Reinfeldt led the four-party Alliance to victory in the September 2006 parliamentary elections.

4. Since the 2006 elections, Olofsson has served as Deputy Prime Minister with the portfolio of Energy and Enterprises (a combination of the energy and industry ministries); she also has oversight of the environmental portfolio through her Center Party colleague Andreas Carlgren.

5. Olofsson's role in managing the financial crisis, especially her public refusal to jeopardize taxpayers' money to rescue the troubled car company SAAB, and her pragmatic approach to the nuclear issues, has boosted support for the government and for her personally. In a recent public opinion poll, ranking the party leaders' confidence among the electorate, Maud Olofsson overtook Soc Dem Party Leader Mona Sahlin, receiving support from 33 percent of the electorate. Support for Sahlin is down to around 30 percent compared with 38 percent last year. Olofsson is now second only to Prime Minister Reinfeldt who has a 52 percent .

A New Energy Policy

¶6. The Alliance's strong suit has been its proven ability to make pragmatic compromises with its coalition partners. A ban on building new nuclear power plants was for decades the rallying cry of the Center Party. But when other partners in the Alliance pushed for a new nuclear policy, Olofsson led her party to a compromise on nuclear power: allowing the government to reverse the 1997 decision to phase out the country's 10 nuclear reactors. Olofsson explains the party's new position as joining the others, stressing that the Center Party got a lot in return, such as investments in renewable energy. Olofsson plans on making energy and nuclear power main issues in the parliament during for the 2010 elections.

The Automobile Crisis

¶7. The struggling car companies Volvo and SAAB are seen as Sweden's industrial crown jewels. Saab, the Swedish unit of U.S. carmaker General Motors, launched a legal restructuring process in Sweden late last year in order to avoid bankruptcy. As Minister for Enterprise, Olofsson has publicly announced that the Swedish government has no intention to give loan guarantees to Saab as long as the company lacks supportive ownership, and as long as it "produces products nobody buys." Olofsson explained that she feels a responsibility for the taxpayers' money. The GOS has not closed the door on state loan guarantees for Saab, should the company get a loan from the European Investment Bank, but that would require a new owner backing up the company's future, per Olofsson. Saab is the first major industrial crisis this government has faced and this course set by the government will most likely apply should a similar case appear in the future. Olofsson draws parallels to the Swedish textile industry crises and the shipbuilding crises of earlier decades, when government attempts to nationalize and own these

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industries didn't work.

Swedish EU Presidency and Climate Change

¶8. The Government of Sweden has made the climate issue its top priority during its EU Presidency in the second half of 2009. PM Reinfeldt plans to lead the EU to a binding international agreement at COP-15 in Copenhagen. Sweden is one of two EU members that is currently on track to meet and exceed its carbon emission targets under the Kyoto framework agreement. Sweden believes in ambitious 2020 targets, and will push other EU members as well as the US to adopt them. However, given the pragmatic bent of this Swedish government, and its strong desire to be seen to work closely with us, we believe there is a lot of room for compromise in the very ambitious going in positions by the Swedes. We recommend taking advantage of upcoming meetings - like Olofsson's bilateral meetings in Washington - to bilaterally engage the Swedes and get them on board our climate talk goals, before they become the EU President in July.

¶9. Action request: Maud Olofsson has requested a meeting with S/E Stern during her upcoming visit to Washington. We understand she will meet Secretary Chu at 11.15 am on March 30, and a 3 pm meeting on the same day with Carol Browner is to be finally confirmed. She further hopes to meet Treasury's senior advisor Ron Bloom to discuss the ailing car industry. Post recommends both a Stern meeting and a Browner meeting, as part of our climate talks engagement strategy.

SILVERMAN